

STATE BOARD OF LAND COMMISSIONERS
June 21, 2005
Regular Agenda

SUBJECT

The Department of Lands (IDL) and the Endowment Fund Investment Board (EFIB) have been using different expense allocation methodologies for land management costs.

OVERVIEW

The EFIB historically utilizes an asset-based approach to allocate the land management expense attributable to the IDL for each beneficiary. Using this approach, cost is allocated based on each beneficiary accounts percentage of monthly market value compared to the total market value of the portfolio.

In contrast, the IDL historically reports land management expense based on an allocation strategy that more closely reflects long-term, on the ground management activities. This approach distributes cost based on various program attributes such as timber acres managed, number of real estate contracts administered, number of cottage site leases administered, mineral royalty, FTEs, etc. Therefore, only endowments with land ownership involved in a program are charged for that program.

The EFIB is in the process of reconciling fiscal year costs and preparing final year end billings. To align the land management expense distribution with the IDL methodology will necessitate some adjustments to current year beneficiary accounts. The following chart summarizes the FY 2005 impact by endowment.

Endowment	IDL Methodology		EFIB Methodology		Variance
Public Schools	\$ 12,183,295	72.7%	\$ 11,280,824	67.3%	\$ 902,471
Agricultural College	\$ 198,741	1.2%	\$ 245,814	1.5%	\$ (47,073)
Charitable Institutions	\$ 831,806	5.0%	\$ 980,065	5.8%	\$ (148,259)
Normal Schools	\$ 1,020,554	6.1%	\$ 1,018,594	6.1%	\$ 1,960
Penitentiary	\$ 364,130	2.2%	\$ 427,905	2.6%	\$ (63,775)
School of Science	\$ 759,301	4.5%	\$ 1,104,245	6.6%	\$ (344,944)
State Hospital South	\$ 706,445	4.2%	\$ 641,479	3.8%	\$ 64,966
University	\$ 587,560	3.5%	\$ 915,682	5.5%	\$ (328,122)
Public Buildings	\$ 103,967	0.6%	\$ 141,192	0.8%	\$ (37,224)

A change to the IDL methodology will not adversely impact the FY 2006 EFIB distribution rates to the beneficiaries.

RECOMMENDATION

Allocate land management cost in the EFIB beneficiary accounts using the IDL methodology for FY 2005 and forward. This practice more closely aligns expense with on the ground activities.

BOARD ACTION

A motion was made by Secretary of State Ysursa to move the recommendation of the Department. Controller Johnson seconded the motion. The motion carried on a vote of 5-0.

